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E.O. 12958: DECL: 06/11/2017
TAGS: [ETRD](#) [EINV](#) [KBCT](#) [IZ](#)
SUBJECT: ARAB LEAGUE BOYCOTT STATUS UPDATE

REF: A. STATE 56167
[1](#)B. BAGHDAD 1308

Classified By: Ambassador Speckhard for reasons 1.5 (b) and (d).

[1](#)1. (C) Summary: Post continues to engage the Government of Iraq (GOI) on the need to end all enforcement of the Arab League Boycott, urging officials at all levels to end this unfair trade practice. Deputy Prime Minister for Economic Affairs Barham Salih told the Ambassador on June 8 that he was committed to closing the Arab League Boycott office at the Ministry of Foreign Affairs and to ending enforcement of the Arab League Boycott (ALB) by the Trademark Office at the Ministry of Industry and Minerals. The GOI's successful progress at the first World Trade Organization Working Party meeting in Geneva is further evidence that Iraq is moving towards a more open and transparent system. Post also notes the report by the U.S. Department of Commerce that just four U.S. companies complained of Government of Iraq enforcement of the Arab League Boycott in the first quarter of 2007, a significant decrease from previous quarters. Iraq's progress is moving in the right direction, but, given the continuing complaints and the need for further institutional restructuring, post recommends that Iraq remain 'under review' in the next Treasury Department listing. End summary.

Need for Structural Change

[1](#)2. (C) Deputy Prime Minister Barham Salih agreed with the Ambassador during a June 8 meeting that the Arab League Boycott Office at the Ministry of Foreign Affairs (MOFA) must be closed and the demands of the Trademark Office at the Ministry of Industry and Minerals (MIM) must end. Noting the sensitivity of some of the conservative ministers in the Council of Ministers (CoM), DPM Salih believes it will be more effective to make changes in key ministries, particularly MOFA and MIM, rather than try to push anything through the CoM. DPM Salih, a Kurd, is optimistic that these ministers, also Kurds, will be amenable to this idea. He said that his chief of staff, Ahmed Salman, would be responsible for this effort forward.

[1](#)3. (C) Post has met regularly with Ahmed Salman over the past few months and emphasized the need to end all enforcement of the Arab League Boycott. Salman reported that he heard a similar message during his meetings in Washington, DC. Post has given Salman a Department of Commerce list of the complaints from 2006, noting that most reports involved the Ministry of Health procurement arm Kamadia, the Trademark Office at MIM, and the South Oil Company. He agreed to follow up with the Iraqi organizations directly. Salman understands the importance of the issue, and promised that the DPM's office will continue to work on resolving it.

Changes at the Ministry of Health

¶4. (C) The Ministry of Health's procurement arm, Kamadia, was responsible for most of the Arab League Boycott complaints in the past. As noted in ref B, there have been several changes at the Ministry of Health, including the arrest of the Deputy Minister. The new minister has yet to be confirmed by the Council of Representatives, and ministry officials continue to look for ways to reform the procurement system. A USG-funded program to modernize and reform the procurement system at the Ministry of Health is in the development stage. These changes at the Ministry of Health may be a factor explaining the decrease in ALB enforcement complaints.

Trademark Office at the Ministry of Minerals and Industry

¶5. (C) Another regular enforcer of the ALB appears to be the Trademark Office at the Ministry of Industry and Minerals. In early May, post and Washington officials raised the issue directly with Minister of Industry and Minerals Fawzi al-Hariri and Deputy Minister Sami Majoon, focusing on the difficulty PepsiCo has had in completing its registration in Iraq. Minister al-Hariri stated his full support of ending ALB participation during this meeting. Post is following up with the Minister to ensure that instructions are given to the Trademark Office, which has yet to occur. As noted above, DPM Salih is now engaged with the problem, and may suggest a restructuring of the Trademark office rather than just giving them new instructions. Post will continue to follow up directly with officials from both the DPM's and the MIM's staff.

South Oil Company

¶6. (C) U.S. companies must be encouraged and able to participate freely and fairly in the competition for oil contracts in Iraq, as noted in ref A. Our contacts here indicate that the Basrah Oil Refinery was the source of two complaints, rather than the South Oil Company as a whole. When confronted with these complaints, officials said that the contracts were old and no longer up for tender. We will urge the Director General for the South Oil Company to resolve any further complaints should they occur.

Conclusion

¶7. (C) The GOI has made significant commitments to ending enforcement of the Arab League Boycott, particularly at the level of the Deputy Prime Minister and senior officials at the ministries. Post will continue to engage with the relevant ministries and work with DPM Barham Salih and his staff to ensure that GOI offices do not enforce the ALB. The DPM and the Minister of Industry and Minerals welcome foreign, and particularly U.S., investment in Iraq and wish to ensure that roadblocks are removed. Post appreciates Washington's efforts to raise this issue with Iraqi officials during their visits to the U.S., which have underscored the importance of ending participation in the ALB. While the GOI has made solid commitments and initial progress in solving the problem, ALB enforcement structures remain. Post therefore recommends that Iraq continue to be designated a country 'under review'.

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